

M e m o r a n d u m

To: Panel Members Date: June 22, 2007

From: Creighton Chan, Manager Analyst: T. Teles

Subject: One-Step Agreement for **GHIRARDELLI CHOCOLATE COMPANY**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 6,500
 - *In California:* 485
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: Bakery, Confectionery, Tobacco Workers, and Grain Millers International Union, Local 125

CONTRACT:

- Program Costs: \$254,520
- Substantial Contribution: \$0
- Total ETP Funding: \$254,520
- Total In-kind Contribution: \$469,800
 - *Trainee Wages Paid During Training:* \$469,800
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Alameda

INTRODUCTION:

Ghirardelli Chocolate Company (Ghirardelli) was founded in 1852 in San Francisco. The company was purchased by Lindt & Springli in 1998. Ghirardelli manufactures a variety of chocolate products that are sold nationwide. Ghirardelli is headquartered in San Leandro and employs 485 Californians.

Ghirardelli representatives state that Ghirardelli is the longest continuously operating manufacturer of chocolate in the United States and is one of the few companies that makes chocolate starting from cocoa bean through finished product. Ghirardelli is experiencing a rapid growth in business and is investing in new production lines and upgrading its existing lines. The equipment vendors will provide basic training, but additional in-depth maintenance and operator training will be required to ensure that the line performs at its optimum efficiency. To optimize the potential of these lines, to ensure efficiency, and to maintain high quality standards, employees must be trained in the skills necessary to operate and maintain the equipment.

Ghirardelli qualifies for standard ETP funding as a manufacturing company facing out-of-state competition under Title 22, California Code of Regulations, (CCR), Section 4416. The employees are represented by Bakery, Confectionery, Tobacco Workers, and Grain Millers International Union, Local 125. Most of the training is tailored to new equipment installation and the training ensures that the employees have the skills necessary to operate the equipment safely and efficiently. The training has the support of the union.

MEETING ETP GOALS AND OBJECTIVES:

Ghirardelli proposes training that will further the following ETP goals and objectives:

1. Promote the retention of manufacturing jobs in California.
2. Develop the skills of frontline workers and foster job retention in high-wage, high-skilled jobs.
3. Fund training developed jointly by labor and management representatives.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees Priority Industries	MENU Advanced Technology Computer Skills Continuous Improvement Manufacturing Skills	101	24-200	24-160	\$2,520	\$16.86 - \$50.00
Wages After 90-Day Retention						
<u>Occupation</u>						
Supervisor/Manager Training Lead Team Leader Operator Maintenance Electricians Maintenance Mechanic						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>					<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>
Although the company provides health benefits for trainees, the hourly contribution is not being used to meet ETP minimum wage requirements.					18%	24.7%
<u>Other Employee Benefits:</u>						
401K, Vacation, Tuition Reimbursement, Sick Leave, Life Insurance						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22, CCR, Section 4400(ee).

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

COMMENTS / ISSUES: (continued)

➤ ***Advanced Technology***

Ghirardelli is requesting the Advanced Technology (AT) hourly reimbursement rate of \$26 to deliver training in Siemens Programmable Logic Controls (PLCs). Six maintenance electricians will each receive 40 hours of AT training. According to Ghirardelli staff, AT courses will be taught by external vendors at an estimated cost of over \$50 per hour of training. The company agrees to maintain the lower 1:10 ratio of trainer to trainee. Because of the sophisticated specifications, advanced programming requirements, and high cost to deliver the training, Panel staff recommends that the company receive the AT reimbursement rate for these courses.

RECOMMENDATION:

Staff recommends that the Panel approve this proposal because the training will enhance the skills of frontline workers of a manufacturer that is moving to a high-performance workplace.

NARRATIVE:

According to Ghirardelli representatives, the company will be installing a state-of-the art chocolate molding line at a cost of \$17.5 million. Beyond the basic training provided by the equipment vendors, the company will provide additional maintenance and operator training to eliminate downtime and ensure product quality. In addition to the new equipment, the company continues to upgrade existing lines which will require updating manufacturing processes. To become more efficient and to involve all levels of the production operations staff, continuous improvement training will be conducted. This will provide employees with the skills necessary to improve the manufacturing process by problem solving, developing solutions, and implementing changes.

Continuous Improvement skills training will be provided to all employees in all job classifications on quality concepts, improving systems, performance, communication skills, and performance management. This will ensure that equipment is maintained to maximize equipment uptime as well as improve the knowledge of the staff to recognize and implement the correct action as needed and to better manage change in the factory.

Computer Skills training will be for operating and efficiently using common and advanced programs, when needed, to adapt to an increasing change toward a computer-based working environment. The training will enable participants to learn paperless transactions, electronic documentation, and reporting.

Manufacturing Skills training will support the company's goal and continuing efforts to expand and improve the staff's knowledge and the ability to meet the highest product quality standards. This training will be formalized, standardized, and implemented for all of production operations personnel. It will provide learning in the areas of troubleshooting and lean manufacturing practices; which will be geared toward maximizing productivity and increasing efficiency. This training will allow production staff to be moved from one line to another, based on the needs of the factory, as well as allow for more career opportunities for the operators.

NARRATIVE: (continued)

Advanced Technology training is required to enable employees to gain the skills necessary to operate and maintain the sophisticated control systems for the new equipment. The majority of the equipment in the San Leandro facility is controlled by Siemens Programmable Logic Controllers (PLCs). These are fundamental to the operation of the plant, but are complex and sophisticated programs. The electricians do not possess the skills necessary to troubleshoot and program these PLCs and must attend the specialized training to obtain PLC competency. This will give more control and autonomy over individual operations, thus ensuring efficiency.

Commitment to Training

Ghirardelli representatives report that the company is committed to the need for on-going training to maintain its competitive edge in the industry and has allocated an annual training budget of \$202,000. Past and current training has been limited to safety programs, CalOSHA and other regulatory requirements, forklift operations and safety, good manufacturing practices for the food manufacturing industry, ergonomics, and new hire orientation. The ETP funding will allow the company to offer more courses and additional hours of training to more employees. The ETP training will implement a formal training program which will become integrated into the organization structure and will continue beyond the ETP-funded project.

SUBCONTRACTORS:

E and M of San Francisco will provide a portion of the Advanced Technology. The total cost has not been determined.

Chabot College in Pleasanton may provide a portion of the computer skills and manufacturing skills training. The cost has not been determined.

THIRD PARTY SERVICES:

None.

Ghirardelli Chocolate Company

MENU CURRICULUM

Class Lab Hours










24 - 200

Trainees will receive any of the following:






COMPUTER SKILLS

-  Word – Intermediate and Advanced
-  Excel – Intermediate and Advanced




CONTINUOUS IMPROVEMENT

-  Statistical Process Control (SPC)
-  Problem Solving
-  Team Building
-  Quality Concepts
-  Production Scheduling
-  Production Operations/Workflow
-  Process Improvement
-  Decision Making
-  Leadership Skills for Frontline Workers

MANUFACTURING SKILLS

-  Production Operations
-  Equipment Operation
-  Inventory Control
-  Warehousing Principles
-  Manufacturing Practices

ADVANCED TECHNOLOGY





-  Siemens PLC S7 Programming 1
-  Siemens PLC S7 Programming 2
-  Siemens Motion Control

Computer-Based Training (CBT)

24 - 160

Trainees will receive any of the following:

CONTINUOUS IMPROVEMENT

-  Project Management (40 hours)
-  Interpersonal Communications (40 hours)
-  Business Conduct Standards (40 hours)
-  Problem Solving (40 hours)

BAKERS UNION
BAKERY, CONFECTIONERY, TOBACCO WORKERS



LOCAL No. 125
AND GRAIN MILLERS INTERNATIONAL UNION

14144 DOOLITTLE DRIVE, SAN LEANDRO, CA 94577
Telephone (510) 357-3201 • FAX (510) 357-5134

May 9, 2007

Teresa Teles
Employment Training Panel
San Francisco Bay Area Regional Office
1065 E. Hillsdale Blvd # 415
Foster City, Ca 94404

Re: **Ghirardelli Chocolate Company**

Dear Ms. Teles:

This letter will confirm that the Bakers Union Local 125, Bakery, Confectionery, Tobacco Workers and Grain Millers International Union has reviewed the proposed training outline for Manufacturing Business Skills and Advanced Technology training for our Union members working at the Ghirardelli Chocolate Company facility in San Leandro, California. The signatures below indicate our agreement and support for the training plan.

Sincerely,

Donna Scarano
Secretary – Treasurer

Rebecca Holbrook
President

DS:hw
Opeiu29/afl-cio